GENERAL SYNOD 2008

CHURCH OF IRELAND PENSIONS BOARD REPORT

Seconded by the Right Revd Paul Colton (Diocese of Cork, Cloyne & Ross)

EMBARGOED UNTIL DELIVERY

CHECK AGAINST DELIVERY

This year's Bill dealing with alterations to Pensions is a measure of how pensions are centre stage in many organisations. The Church of Ireland is not on its own. Pick up the newspaper most weeks and you will find the pensions issue there. More than that, you will find that it has moved from the business and finance pages to the general news. More than that again, it is an issue which has recently hit the headlines. Here is one from 24th April: 'Grangemouth strike on as pensions talks break down after two days'. So the pensions issue spilled over onto the forecourts of UK garages; out of the ambit of one organisation into many people's lives.

Pensions are an issue in our time. As the proposer has said, the annual walkout during the Pensions Board report has been a sign of confidence in the work of our Board. However, the walkout is not acceptable. The clergy are the members of the pension scheme. As members, we clergy need to be here to engage with the issues and challenges which every pension scheme is facing. The funding needs of the scheme place a financial demand throughout our church as an organisation.

I am new to the Pensions Board having been appointed by the Bishops in January last year. My first impressions are that we are indeed wrestling with challenges. There are risks outside our control: the investment markets, salary inflation, pension inflation and mortality.

As you will see on page 133 – Appendix A of the report - our actuary for the scheme is Mercer. The second paragraph of their certificate articulates the challenge facing the RB as trustee of our scheme, the Church of Ireland Pensions Board as administrator of it and all of us: 'The Fund did not satisfy the statutory Minimum Funding Standard under Section 44 of the Pensions Act 1990 at the valuation date. A Funding Proposal is in place with the objective of putting the scheme in a position to satisfy the funding standard as at 30th September 2011.' This is the challenge. If you look at pages 104 and 105 you will see that, in its report on behalf of the Trustees of the Fund, (under the heading actuarial valuation at the top of 104) that 'The Actuary's certificate confirms that, as at 31 December, 2007, the funding arrangements in place were sufficient to enable the minimum funding standard to be achieved by 30 September 2011.'

It is a reflection of the vulnerabilities felt in the pensions sector that the annual conference Mercer held last month was called: *Risky Business - A review of the latest trends in controlling Defined Benefit pension scheme risks*. The proposer referred to the defined benefit scheme. To reinforce the point I will too. At that Mercer conference one of their consultants is quoted as having said that, in that case of a company, '... the defined pension scheme can become the biggest single area of risk for the company – even bigger than any risks in its core business.'

The Mercer 2008 Defined Benefit Survey showed that 55% of defined benefit schemes are now closed to future joiners, albeit mostly smaller schemes. Employer contribution rates have doubled. Employee contributions have increased. 22% of schemes have modified benefits in the last two years, generally reducing benefits in some form in the future. Significantly, the Mercer survey showed that '...funding standard difficulties remain, with one third of schemes failing the funding standard under the Pensions Act at their latest measurement date (and expected to be worse now given recent market falls).'

At their *Risky* Business Conference, one of Mercer's actuaries is quoted as saying that their survey ' ... shows that employers and trustees of Defined Benefit pension schemes are attempting to manage the risks associated with Defined Benefit schemes on several fronts.'

That is the boat we in the Church of Ireland are in also: having to manage risks in order to preserve our defined benefit pension scheme. It seems that we are not alone. Again I say, particularly to my fellow members of the scheme, don't, in years to come, take your coffee break during the report of the Pensions Board. Our defined benefit pension scheme is an important part of our Church's commitment to the clergy: therefore, we have to manage the risks to make that possible.

I refer to one other challenge. It is the word that dominates so much of our living nowadays, whether we like it or not: compliance. Turn please to page 98 and to section 13. I have mentioned already that the RCB is the trustee of our Fund and our Pensions Board is the administrator. Since the last Synod, it became apparent that some of the roles assigned to the Pensions Board as administrator ought properly to be undertaken by the RCB as Trustee in order to be fully compliant with the Pensions Act 1990. A small working group was set up to look at the issues involved. It is continuing its work, but it already seems clear that in future years amendments will need to be made in Chapter XIV of the Constitution.

There are challenges. The whole Church needs to aware of them; and aware also of the hard work of the Church of Ireland Pensions Board in response to them. This is reflected in our Report. I am happy to second the motion that it be received.